



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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April 21, 2010

The Honorable Barney Frank, Chair
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Spencer Bachus, Ranking Member
House Committee on Financial Services
B371-A Rayburn House Office Building
Washington, DC 20515

Dear Chairman Frank and Ranking Member Bachus:

The Financial Services Committee will soon consider the “Flood Insurance Reform Priorities Act of 2010” which reauthorizes and reforms the National Flood Insurance Program (NFIP). Representative Scott Garrett (R-NJ) is expected to offer an amendment to phase out “subsidies” for older homes with a sales price above \$600,000. The 1.2 million members of the National Association of REALTORS® (NAR) strongly oppose this amendment and urges you to vote “no” on the Garrett amendment.

Congress has authorized a discount for pre-FIRM properties – i.e., properties built before the community was flood mapped – because without the map, the owner could not have known the risk or retrofitted to NFIP building standards. No federal tax dollars are used to pay for the difference between the discounted and actuarial insurance rate. The difference is simply not collected. Changing the rules in the middle of the game for these property owners would be unfair and depress property values which would negatively affect the surrounding community and local economy.

The Garrett amendment proposes eliminating discounted rates even though the risk of flooding for these homes has NOT increased. While NAR supports elimination for properties with a demonstrated history of repeated NFIP pay-outs and refusal to mitigate against future loss, basing the elimination on property sale price – an unreliable measure that does not account for differences across local real estate markets – would be unprecedented in the NFIP’s 42 years. The property owner could see a four-fold rate increase according to the Federal Emergency Management Agency, and only because a home has appreciated in value with inflation over time. This only creates uncertainty and increases the cost of home ownership during one of the most difficult economic recoveries in the housing market in U.S. history.

NAR urges a “no” vote on the Garrett amendment to eliminate discounts for older properties whose flood risk has not changed. Basing the elimination on such an unreliable, imprecise measure as sale price is not only bad for property owners and surrounding communities but also bad public policy.

Sincerely,

Vicki Cox Golder, CRB
2010 President, National Association of REALTORS®

cc: Members, House Committee on Financial Services